Court File No. CV-11-9367-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR	)	WEDNESDAY, THE 18TH DAY
	)	
JUSTICE CAMPBELL	)	OF JANUARY, 2012

BETWEEN:

INTERNATIONAL FOREST PRODUCTS LLC (formerly known as INTERNATIONAL FOREST PRODUCTS CORPORATION)

Applicant

\- and -

ST. MARYS PAPER CORP.

Respondent

APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.B-3, AS AMENDED, AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C. C.43, AS AMENDED

ORDER

THIS MOTION, made by Ernst & Young Inc., in its capacity as Court-appointed receiver and receiver and manager pursuant to section 243(1) of the *Bankruptcy and Insolvency Act* and section 101 of the *Courts of Justice Act* (Ontario) (jointly and collectively, the "Receiver"), without security, of all of the assets, undertakings and properties of St. Marys Paper Corp. ("St. Marys") was heard this day, at 330 University Avenue, Toronto, Ontario.

ON READING the First Report of the Receiver dated January 13, 2012 (the "First Report"), filed, and on hearing the submissions of counsel for the Receiver and the Applicant, International Forest Products LLC (formerly known as International Forest Products Corporation), no other parties appearing, although duly served as appears from the affidavits of service filed with the Court,

1. **THIS COURT ORDERS AND DECLARES** that service of the Notice of Motion and the Motion Record in accordance with the affidavits of service, including the method and timing of

notice, and service to the service list, shall be and is hereby abridged and validated, so that this Motion is properly returnable today and any further service thereof upon any interested party other than the persons served with the Motion Record is hereby dispensed with.

2. **THIS COURT ORDERS** that the Applicant in these proceedings be amended from "International Forest Products Corporation" to "International Forest Products LLC (formerly known as International Forest Products Corporation)".

3. **THIS COURT ORDERS** that the Sales Process Protocol, substantially in the form attached hereto as Schedule "A" (the "Sales Process Protocol") and the Sales Process described therein and in the First Report (the "Sales Process") be and is hereby approved.

4. **THIS COURT ORDERS** that the Receiver is hereby authorized to commence and carry out the Sales Process substantially in accordance with the Sales Process Protocol and to take such steps as are considered necessary or desirable in carrying out the terms of the Sales Process Protocol.

5. **THIS COURT ORDERS** that the Receiver may seek advice and directions from the Court in respect of any aspect of the Sales Process Protocol.

6. **THIS COURT ORDERS** that the First Report, and the conduct and activities of the Receiver as described therein, be and are hereby approved.

7. **THIS COURT ORDERS** that the KERP Agreements (as defined and described in the First Report and as set out at confidential Appendix "E" to the First Report) be and are hereby approved.

8. **THIS COURT ORDERS** that the KERP Agreements at confidential Appendix "E" to the First Report shall remain confidential and subject to a protective order of this Court and shall not form part of the permanent Court record except by further order of this Court made on notice to the Receiver and IFP.

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SCHEDULE "A"

SALES PROCESS PROTOCOL

Overview

On December 29, 2011, on the application of International Forest Products Corporation, now known as International Forest Products LLC ("**IFP**"), the Ontario Superior Court of Justice (the "**Court**") granted an Order (the "**Appointment Order**") appointing Ernst & Young Inc. as receiver and receiver and manager (the "**Receiver**") of all of the assets, undertakings and properties of St. Marys Paper Corp. ("**St. Marys**") effective December 30, 2011.

Pursuant to the terms of the Appointment Order, the Receiver will be commencing a process (the "**Sales Process**") to market the Property (as defined below) to parties who may wish to operate the Property as a going concern, or to decommission and liquidate the plant and equipment and/or other property of St. Marys. The Receiver will seek an Order of the Court approving the Sales Process and authorizing the Receiver to commence and carry out the Sales Process (the "**Sales Process Order**").

Set out herein are the procedures, terms and protocol (the "**Sales Process Protocol**") with respect to the solicitation, review and approval of offers to purchase the Property.

All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Appointment Order.

Property to Be Sold and Terms of Sale

The assets to be offered for sale pursuant to this Sales Process shall include all of the properties, undertakings, and assets of St. Marys and any liabilities required to be assumed in connection with the purchase of the business of St. Marys (the "**Property**").

The sale of the Property shall be on an "as is, where is" basis and without surviving representations and warranties of any kind, nature or description by the Receiver or any of its respective directors, officers, employees, agents, estates, advisors, professionals or otherwise.

Subject to an Order of the Court, all of the rights, title and interests of the Receiver and St. Marys in and to the Property will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options and interests of any kind thereon (collectively, the "**Claims**") and such Claims shall attach to the net proceeds of sale (without prejudice to any claims or entitlements regarding priority, validity and enforceability), except to the extent otherwise expressly set forth in the relevant sale agreement or by Order of the Court.

Role of the Receiver

The Receiver shall conduct the Sales Process, subject to the Court's overriding supervision. This shall include facilitating the delivery of all mailings, contacting prospective purchasers and providing them with an initial offering summary (the "**Teaser Letter**") and confidential sales package (the "**Sales Package**"), coordinating execution of confidentiality agreements, facilitating any requests for tours of the facilities, managing the process of answering all inquiries from Interested Parties (as defined below) and coordinating any presentations that may be requested by prospective purchasers.

All requests for additional information shall be made through the Receiver, who shall coordinate responses to such requests with the appropriate parties.

The Receiver shall report to the Court on the outcome of the Sales Process and shall seek Court approval of any final sale agreement or agreements arising out of the Sales Process.

Identification of Potential Interested Parties

No later than three (3) business days following the issuance of the Sales Process Order, the Receiver shall cause a notice of Sale Process contemplated by this Sales Process Protocol and such other relevant information which the Receiver considers appropriate (the "**Sale Notice**") to be published in *The Globe and Mail* (National Edition), the Sault Ste Marie Star and Foresttalk.com.

The Receiver shall develop a list of strategic and financial parties, as well as decommissioning and liquidation parties, who may be interested in purchasing the Property (the "**Interested Parties**").

As soon as possible following the issuance of the Sales Process Order, the Receiver will begin to contact the Interested Parties to determine if they are interested in acquiring the Property. The Receiver shall distribute the Teaser Letter to all Interested Parties and any other party who requests same.

Within five (5) business days following the issuance of the Sales Process Order, the Receiver shall ensure that a data room (the "**Data Room**") is operational and that a template Asset Purchase Agreement (the "**Agreement Template**") is available in the Data Room.

Solicitation Process

Any parties who wish to conduct due diligence shall sign a confidentiality agreement, which shall be in form and substance acceptable to the Receiver and which shall inure to the benefit of any purchaser of the Property (the "**Confidentiality Agreement**").

Any party that executes a Confidentiality Agreement (each, a "**Potential Bidder**") shall be provided with the following by the Receiver:

- a copy of this Sales Process Protocol;
- the Sales Package;
- a copy of the Agreement Template; and
- access to the Data Room, where preliminary data will be available.

Phase I - Non-Binding LOIs

In order to be considered, each Potential Bidder shall be required to submit a non-binding letter of intent ("**LOI**") to the Notice Parties (as defined below) on or before **5:00 p.m. EST on January 30, 2012** which, among other things desired by the Potential Bidder, must outline:

- identification of the specific parties and proposed sponsoring entities to participate in the acquisition;
- the purchase price to be paid and form of consideration;
- overview of remaining due diligence activities;
- the assets to be purchased;
- the liabilities to be assumed;
- any conditions precedent; and
- any other material terms of the offer.

In addition, in order to be considered, each LOI must be accompanied by the most recent audited financial statements and the most recent unaudited financial statements of the Potential Bidder or, if the Potential Bidder is an entity formed for the purpose of acquiring the Property, the most recent audited financial statements and the most recent unaudited financial statements of the equity holders or sponsors of the Potential Bidder who will guarantee the obligations of the Potential Bidder, or such other form of financial disclosure and credit-quality support or enhancement that will allow the Receiver to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the sale of the Property.

The Receiver shall evaluate the LOIs based on, among other things, the ability of the potential interested parties to complete due diligence and consummate a transaction on a timely basis as well as other buyer or investor selection criteria that may be developed by the Receiver in its discretion and in consultation with IFP. The Receiver will then, in its discretion, identify parties ("**Qualified Bidders**") who, based on their LOIs ("**Qualifying LOIs**") will be invited to participate in Phase II.

Phase II - Qualifying Bidders and Further Due Diligence

Qualified Bidders shall be advised by the Receiver on or before January 31, 2012, and will thereafter be provided with access to additional information to compete their due diligence, which will be coordinated with the Receiver.

Site visits and in-depth meetings with management of St. Marys shall only be permitted once a Qualifying LOI has been received from a Qualified Bidder. Further, upon request and subject to the discretion of the Receiver, the Receiver may seek to facilitate and supervise direct meetings between Qualified Bidders and the key stakeholders of St. Marys or other parties, as necessary.

Phase III - Submission of Offers

Qualified Bidders shall have until **5:00 p.m. EST on February 10, 2012** to submit to the Notice Parties (as defined below) offers in the form of the Agreement Template for the purchase of the Property (an "**Offer**"). Each Offer must be accompanied by:

- a $250,000 cash deposit or letter of credit issued by a Schedule 1 Canadian chartered bank or other amount specified by the Receiver if the Offer is for less than all of the Property;
- a projected timeline for closing the transaction; and
- a detailed list of all conditions precedent to closing.

An Offer shall be an offer for all or part of the Property and, without limitation:

- clearly identify the potential purchaser and sponsoring entities by name and confirm corporate or other authorization to enter into a transaction;
- shall be in the form of the Agreement Template and include a blackline against the Agreement Template;
- shall not include any material conditions to closing other than those already included in the Agreement Template;
- shall not be conditional upon financing and shall include proof of financial ability to close a transaction;
- shall provide that any other conditions to the offer must be satisfied, waived or completed on or before February 21, 2012;
- shall be, in the reasonable opinion and discretion of the Receiver, likely to close on or prior to March 2, 2012; and
- shall not request or entitle the Qualifying Bidder to any break-fee, termination fee, expense reimbursement or other type of compensation or payment.

All Offers must be capable of acceptance and must be irrevocable until **11:59 pm EST on February 22, 2012** and shall be subject to Court approval. The Receiver may seek clarifications with respect to any of the Offers, and may grant reasonable extensions.

The Receiver may seek clarifications with respect to any Offers.

Each Offer shall be considered by the Receiver, in consultation with IFP.

On or before February 14, 2012, following review by the Receiver, in consultation with IFP, the Receiver shall notify the successful Qualified Bidder(s) that they shall be entitled to participate in Phase IV: negotiations in respect of the Agreement Template and satisfaction of conditions therein. Deposits shall be returned to all other Qualifying Bidders.

Phase IV - Negotiation of Conditions

The Receiver shall negotiate with the remaining Qualified Bidder(s) the final terms of the Offer(s) to reach a form of mutually agreeable purchase agreement (the "**Agreement**").

The remaining Qualified Bidder(s) shall then be entitled to meet with necessary parties to seek to finalize negotiations and satisfaction of existing conditions to the Agreement. The Receiver shall seek to facilitate and supervise direct meetings between the remaining Qualified Bidder(s) and such other necessary parties.

The remaining Qualified Bidder(s) shall have until **5:00 p.m. EST on February 21, 2012** to confirm or waive all remaining conditions.

Acceptance of Offers, Court Approval and Closing

The Receiver shall notify the successful Qualified Bidder that its offer is accepted (the "**Accepted Offer**") on or before February 22, 2012.

The Receiver shall take such steps as may be necessary to facilitate the closing of the Accepted Offer as soon as practical, including, without limitation, seeking Court approval of the Accepted Offer on or before February 29, 2012.

Closing of the Accepted Offer shall be completed as soon as possible after all required approvals are received, but in any event on or before March 2, 2012 unless otherwise agreed to by the Receiver in its discretion.

Notice Parties

Any documents to be sent to the Receiver under this Sales Process Protocol shall be sent by courier, facsimile transmission or e-mail. For the purposes of this Sales Process Protocol, the term Notice Parties shall mean:

ERNST & YOUNG INC.
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto ON M5K 1J7

Attention: Alex Morrison
Facsimile: 416 943 3300
Email: alex.f.morrison@ca.ey.com

With a copy to:
Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Attention: Joseph Bellissimo
Facsimile: 416 642 7150
Email: jbellissimo@casselsbrock.com

And a copy to:
Blake Cassels & Graydon LLP
199 Bay Street, Suite 4000
Commerce Court West
Toronto, ON M5L 1A9

Attention: Michael McGraw
Facsimile: 416 863 2653
Email: michael.mcgraw@blakes.com

Miscellaneous

The Receiver may, in its discretion: (a) amend this Sales Process Protocol, including the right to extend, abridge or otherwise amend any timelines described herein as considered necessary by the Receiver or by further order of the Court; (b) reject, at any time, pursuant to this Sales Process Protocol, any bid that is inadequate or insufficient, not in conformity with the Sales Process Order or any other orders made in the proceedings or is contrary to the best interests of St. Marys and its stakeholders as determined by the Receiver; (c) impose additional terms, conditions or requirements and otherwise modify this Sales Process Protocol; (d) accept bids not in conformity with this Sales Process Protocol to the extent that the Receiver determines that doing so would benefit the estate and (e) reject all bids or Offers including the highest and best bid in respect of the Property if the Receiver determines that doing so would benefit the estate, but shall be entitled to recommend to the Court a transaction that, in the Receiver's discretion, among other things, maximizes value for all stakeholders and minimizes closing risk.

This Sales Process Protocol does not, and shall not be interpreted to, create any contractual or other legal relationship between any Interested Party, Potential Bidder or Qualified Bidder and St. Marys (or any of its subsidiaries or affiliates), the Receiver or any of their respective directors, officers, employees, agents, estates, advisors or professionals, other than as expressly set forth in definitive agreements signed by Receiver.

None of the Receiver or any of its directors, officers, employees, agents, estates, advisors or professionals, make any representation or warranty as to the information contained in any Teaser

Letter, Sales Package or information provided through due diligence or otherwise in this Sales Process, except as expressly set forth in definitive written agreements signed by the Receiver.

At any time during this Sales Process, the Receiver may, following consultation with IFP, apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

St. Mary's Paper Corp.
Sales Process Outline and Timelines

	Timeline
▶ Discuss Sale Process with Secured Creditors	Jan 6 – 10
▶ Approach potential bidders to facilitate coordination pre-court approval of Sale Process	Jan 6 - 17
▶ Development of Marketing Materials ✓ Form of Confidentiality Agreement ✓ Teaser Letter ✓ Sales Package (short form CIM)	Jan 15
▶ Develop Buyer List ✓ Strategic ✓ Distressed Private Equity Funds ✓ Decommissioning / Scrap dealers / Liquidators	Jan 15
▶ Proposed Court approval of Sale Process Protocol	Jan 18
▶ Newspaper advertisements in the Globe & Mail, Sault Star and Foresttalk.com	Jan 23
▶ Data Room finalized	Jan 20
▶ Contact prospective purchasers ("Interested Parties")	Jan 18 - 23
▶ Template APA made available in the data room	Jan 23
▶ Site visits	Jan 18 – Jan 27
▶ Submission of non-binding LOI's	Jan 30
▶ Qualifying LOI's selected	Jan 31
▶ Further site visits and in depth management meetings for Qualified Bidders	Jan 31 – Feb 9
▶ Direct meetings between Qualified Bidders and key stakeholders	Jan 31 – Feb 9
▶ Submission of Offers	Feb 10
▶ Selection of final bidder(s)	Feb 14
▶ Qualified Bidder to waive all remaining conditions	Feb 21
▶ Successful bidder notified that offer is accepted (the "Accepted Offer")	Feb 22
▶ Court Approval of Accepted Offer	Feb 29
▶ Closing	Mar 2

Court File No.: CV-11-9367-00CL

INTERNATIONAL FOREST PRODUCTS LLC (formerly known as INTERNATIONAL FOREST PRODUCTS CORPORATION)
Applicant

- and -

ST.MARYS PAPER CORP.
Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding Commenced at Toronto

ORDER

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